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5 JAN 1979

MEMORANDUM FOR: Director of Central Intelligence

FROM:

Deputy to the DCI for Resource Management

SUBJECT:

New Draft of Your Annual Report

1. Action Requested: Your review, reactions, improvements.

2. Background:

a. It did not prove feasible to send you a revision section by section; we wanted to catch all possible expert vetting on all sections before facing you with a serious read. Your specific suggestions on the last draft have been accomplished. Particularly:

-- The Report now begins with the major accomplishments of 1978 and introduction (slightly modified). A separate copy of this new draft is enclosed, with pages separated out, in case you want him to work further on it.

-- I have myself now worked over a new version of the National/Tactical Interface section at the end, particularly to lay down some general program and budget markers. See what you think.

b. A draft distribution list for the final report is attached for your approval or amendment. It is slightly more restricted than your approved version distribution for last year, and is essentially the key White House and Congressional readers plus the PRC(I) and NFIB principals.

3. Staff Position: This draft is almost completely vetted at expert working levels in the Community and is going to NFIB principals for any

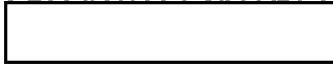
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SUBJECT: New Draft of Annual Report

comments they may have. These have been requested by 15 January in order to aim at completion of your review, printing, and delivery to the Congress by 25 January.


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Att 1 - Draft Distribution

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Att 2 - 

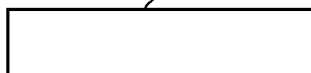
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DCI/RM (5 Jan 79)

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NATIONAL FOREIGN INTELLIGENCE BOARD

NFIB-6.1/11

4 JAN 1979

MEMORANDUM FOR NFIB PRINCIPALS

FROM:

Deputy to the DCI for Resource Management

SUBJECT: The DCI's Annual Report

1. Your cooperative responses and thoughtful individual inputs for the DCI's calendar 1978 Annual Report are very much appreciated. In many cases it has not been possible or appropriate to use all of your informative material for this Annual Report, which is a selective wrap-up of major 1978 intelligence developments and issues preoccupying the DCI and his key Executive and Congressional audiences. We will make additional distribution and use, as appropriate, of input portions of value for other DCI staff purposes.

2. Attached is a complete draft. Most sections of major input or interest to various of you have already been reviewed at working levels of your organizations. The DCI has also given us general guidance and reactions to an earlier draft, although it is this present draft that he will review in detail. He and I would appreciate review of this full draft by your staffs for accuracy and appropriateness (including the classification of individual paragraphs within your expertise), and would value any overall comments you personally may wish to make.

3. The report is due to the Congress on 25 January. In order to meet a tight DCI sign-off and printing schedule, we will need any comments by Monday, 15 January. My staff point of contact is

ATTACHMENT

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MEMORANDUM FOR:

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John,

Revised full draft of DCI's Annual Report for your weekend browsing. NFIB principals' distribution has gone today, including package for DCI weekend reading.

It really is quite a bit shorter than it was though it doesn't heft so; pages are shorter from cutting and space required for giant classification blob. And the printers do claim it will look downright dainty bound.

Date 5 January 1979

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FORM 5-75 101 USE PREVIOUS EDITIONS

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INTELLIGENCE COMMUNITY STAFF
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5 January 1979

To: All RM Hands

Subject: Final Review of DCI's Annual Report

Here is a revised (in light of your and Community working level experts') full draft of the DCI's Annual Report. We have today sent it to NFIB principals for a staff accuracy/classification vetting and any comments they themselves have by Monday week (15th.) The DCI reviewed the last draft hastily and was generally pleased; he asked [] to take a personal hand with the National-Tactical section at the very end, which John has done. []

Depending on how the DCI reacts in a serious read of this draft, the Report may change marginally or considerably, of course. For the nonce, however, please consider this your last crack at a draft, and let me have any corrections/comments by Monday 15th -- sooner if possible. Coping with the DCI and the printer by the 25 January Congressional deadline will be a neat trick as it is. []

Many thanks for the help
many of you have already
provided,



PGO

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4 January 1979
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DCI'S INTRODUCTION

The United States Intelligence Community is challenged today to provide information on a wider range of topics and more inclusive geography than ever before. The forces which are broadening Intelligence Community responsibility include:

- the present combination of new parity in strategic weaponry, continuing Soviet military force improvements and an activist US arms limitation policy;
- increasing global economic interdependence, including competition for resources, with social, economic and political consequences for the United States; and
- an expanding number of regions which involve US interests in ways that need continuous intelligence monitoring and frequent policy attention (e.g., sub-Sahara Africa and China).

These new intelligence requirements have not been accompanied by a let-up in traditional requirements. Requirements for military intelligence are more rigorous than ever before. Technology is changing both the nature of targets and our capabilities against them. More broadly, as US power to shape world events lessens relative to that of others, policy choices become more constrained and difficult. Decisions become more

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25X1 dependent on good intelligence. The message to intelligence is to cast wider a net of finer weave. []

That imperative exists in a national environment of severe resource stringency. The implications for intelligence include:

- an additional impetus to Community teamwork;
- a heightened need to elicit the best of available people;
- difficult trade-offs between future technical collection needs, system flexibility, and cost. []

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Underlying these factors is the American people's need for explicit demonstrations of their government's integrity and effectiveness. The implications for intelligence here include:

- a need to sustain national support through demonstrated quality performance, including making the products of intelligence available more widely in the Government and also to the public where possible;
- continuing difficulty in protecting secrets from exposure through more intense media attention and some erosion in the discipline of intelligence professionals. []

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For this, my second Annual Report as DCI to the President and the Congress, I have chosen a selective rather than comprehensive approach, omitting many important ongoing intelligence activities and instead highlighting major developments in intelligence in 1978 in Part I, and then discussing several issues confronting intelligence of special concern to myself, the Executive and the Congress in Part II. []

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I. 1978 in Intelligence

PRINCIPAL ACCOMPLISHMENTS AND SUCCESSES

During the past year, important progress has been made toward strengthening the capability of the Intelligence Community and ensuring that its activities conform to the values and the laws of the United States. While these are not single year goals, initiatives undertaken within the Intelligence Community, within the Government and outside the Government in 1978 have all accelerated the Intelligence Community's movement toward their fulfillment. []

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Within the Intelligence Community

Substantial progress has been made toward increasing Intelligence Community cohesiveness through new mechanisms aimed at more comprehensive, integrated and rational planning/assessment for national intelligence. This effort has focused in two places: first, in the National Security Council's Policy Review Committee on Intelligence (PRC[I]) where national user needs are delineated in the form of National Intelligence Topics (NITs) and their priorities established; and second, in the process of implementing the DCI's new program and budget authority. Differences in missions, priorities, and perspectives remain, of course, but we now have better tools to channel disagreements toward resolution. []

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Other specific initiatives include:

- establishment of a National Intelligence Tasking Center

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(discussed elsewhere) where the use of all the Community's collection assets can be orchestrated to assure the best combination of assets is assigned to each problem.

- greatly improved cooperation with the Federal Bureau of Investigation in the CIA/FBI joint effort of counterintelligence.

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Within the Rest of the Government

Special effort has been made to improve the dialogue between the Intelligence Community and both present and potential consumers. While the Community has always served the President and the Departments of State and Defense, support to other Executive Branch departments and agencies and the Congress has been sporadic and generally reactive. During 1978, we have looked for areas of intelligence collection and analysis which might coincide with issues or concerns in both the Executive and Legislative Branches; opened lines of communications where they did not otherwise exist; and solicited suggestions for particular problems or issues where we might be able to provide assistance. This has been a fruitful endeavor and has permitted the Community to serve a wider, more diversified group of government consumers.

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I am particularly proud of occasions this past year when users have told me that intelligence made a real contribution to especially important policy decisions through:

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o Support to negotiations:

- anticipated US ability to verify proposed SALT II provisions with specific levels of confidence and their strategic implications;

- close, continuing support to Middle East peace negotiations;

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o Data/perceptions illuminating broad foreign and defense policy decisions:

- in defense posture, communication of strategic balance trends through development of more concise and meaningful measures of force capabilities and trends;
- in energy, supply and demand projections which have led the field and which are becoming increasingly recognized as of high validity.

o Understanding/background on areas of growing policy concern such as:

- China, by analysis of her economic modernization and leadership priorities/politics;
- international trade, with comprehensive computer based statistics published regularly.

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- o Other specific initiatives include:

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- continued evolution of accountability procedures with the two select intelligence committees of the Congress (discussed elsewhere).
- progress toward charter legislation which will assure the citizen that the Intelligence Community is operating within acceptable boundaries of law and propriety, yet, at the same time, will not prevent the Community from effectively carrying out its mandate.

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Outside the Government

The Intelligence Community cannot function effectively if denied an exchange of ideas and information with the public and an awareness of their concerns. Much valuable foreign intelligence information is available openly in the United States. It would be foolish and wasteful to use expensive and, in some cases, high-risk collection means to obtain this same information overseas. Every opportunity must be taken to learn what other Americans know of the rest of the world if they are willing to share that information with their government.

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The American academic and business communities are the locus of invaluable knowledge and understanding on the rest of the world. For the President and other government decisionmakers to receive the best analysis possible, there must be a continuous exchange of ideas, a testing of hypotheses, and a questioning of assumptions whenever an analysis is made. This cannot be the case if the Intelligence Community analyst is estranged from his counterpart in either the academic or business communities. Likewise, the academic soon becomes sterile if he is denied primary source information on how governments are actually operating in the real world; the businessman fails to benefit from the economic analysis--much of it unclassified--which could help him make better decisions. Their access to the Intelligence Community permits them to temper theory by what is actually happening. Every effort has been made during 1978 to widen this natural and quite proper dialogue so that all three communities and ultimately the Government decisionmaker may benefit.

A policy of greater openness by the Intelligence Community has made the intelligence product more accessible to the public and may in time improve our ability to protect classified information. During the past year, every analytic effort has been examined to determine if it could be declassified. Generally, the criterion has been to see, after all sensitive information has been removed, if

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[REDACTED]
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adequate substance remains to support the study's conclusions and provide a valuable contribution to the public's understanding of an issue. If so, it is published. By moving as much information as possible into the public domain, the corpus of classified information is reduced. That reduced corpus should be better respected because it will have been purged of marginally classified information which breeds disrespect for classification labels. And, because there is less of it, it should be easier to protect. [REDACTED]

Other specific initiatives include:

- being more responsive to specific questions and requests for information from the public and the media.
- agency representatives agreeing to speak on intelligence issues in public fora.
- greater participation by Intelligence Community analysts and scientists in professional meetings.
- submission of scientific and academic papers to professional journals, etc. [REDACTED]

IMPLEMENTATION OF THE EXECUTIVE ORDER AND OTHER ORGANIZATIONAL MATTERS

Following the President's signing on 24 January 1978 of Executive Order 12036 on Intelligence, substantial implementation occurred,

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especially in development of national intelligence requirements and priorities, in implementation of the DCI's full and exclusive authority over the national foreign intelligence budget, and in establishment of the National Intelligence Tasking Center.

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The Policy Review Committee (Intelligence)

The National Security Council's Policy Review Committee on Intelligence (PRC[I]) which the DCI chairs includes the principal Executive Branch users of intelligence and is now the authoritative source of national intelligence requirements. This year the PRC(I) has established its governing long-term and current requirements and associated priorities in the National Intelligence Topics (NITs). Comprehensive in scope, these statements of national interest cluster into principal intelligence missions which start with the fundamentals of warning of attack and support for crisis management, and go on to include:

- anticipating political trends in areas of the world where US interests are significantly involved, including allowance for discontinuities (particularly those which may be less likely but would carry severe consequences and warning in time for policy action to avoid or mitigate actual crisis;
- projecting, understanding the implication of, and communicating significant trends in the strategic and

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[REDACTED]

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conventional military balance (includes guarding against significant technological surprise);

- monitoring treaties to verify compliance (primarily arms limitation but also other; e.g., Middle East);
- projecting major economic trends worldwide, economic prospects and interrelationships for key countries, and the implications for the United States;
- supporting military theater commanders where US and Allied Forces may be engaged. [REDACTED]

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The NITs serve as guides for national intelligence production strategies and will be the basis for collection tasking, the NFIP, and the budget. Promulgation of NITs places intelligence users in a position to guide and direct national foreign intelligence community activities for the first time. The NITs are reviewed about three times a year permitting adjustments in production, collection, and resource management priorities and providing the PRC(I) with a continuing assessment of the Intelligence Community's performance. [REDACTED]

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Although no separate mechanism for relating the NITs to specific budget decisions has been established, the relevance of user requirements to the NFIP structure is recognized as an integral part of the program and budget process. A PRC(I) Working Group headed by my Deputy for Resource Management is preparing Intelligence Community performance assessments for consideration by the PRC(I).

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[REDACTED]

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The Working Group has also been charged with proposing a formal schedule to ensure appropriate consultation with the PRC(I) as the NFIP moves through its annual cycle. Thus translation of the NITs into the ultimate guides for production, collection, and resource management is under way. Its completion will have my priority attention. [REDACTED]

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Resources: Experience with DCI's Budget Authority

This year we have completed the transition to NFIP budget development under E.O. 12036 provisions. These provisions give me exclusive authority to develop the NFIP budget and present it to the President, and to approve reprogramming of funds from Congressionally approved budgets; responsibility for presenting the budget to the Congress; and authority for monitoring program implementation. A cooperative and professional spirit has characterized the almost daily contact between my staff and the program managers and their staffs in building a common program and budget. I appreciate the constructive counsel and frank sharing of concerns that program managers have given me personally, in the NFIB, and in the PRC(I). In particular, my regular conversations with Secretary of Defense Brown on program and budget issues, as well as on other national security matters of mutual concern to us both, have been very useful. [REDACTED]

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It is both natural and healthy that program managers have different perspectives and priorities on some individual issues. Some procedural

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rough spots also remain, of course. The combined transition to new NFIP management procedures and Zero Base Budgeting has in some cases resulted in heavy workloads to develop the detailed presentations both new sets of procedures have required. While I am convinced the interim results are impressive, we will continue to refine and streamline this large effort. The proposed FY 1980 NFIP which I submitted to the President as a result of this Intelligence Community effort is an unprecedentedly well vetted, integrated and balanced US national intelligence effort which is responsive to both national security needs and current fiscal stringencies. [REDACTED]

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My first step toward developing an even sounder FY 1981 program and budget has been to issue early guidance that attempts to spell out a philosophical rationale for NFIP development, and gives specific guidance to individual program managers on what I see as priority issues, directions and emphases in their programs. This year I also want to explore approaches to further define the PRC(I)'s role in program monitoring and budget implementation. [REDACTED]

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The National Intelligence Tasking Center

Once Congressional reprogramming approval for the National Intelligence Tasking Center (NITC) established by E.O. 12036 was obtained in late September, the Deputy for Collection Tasking named National Intelligence Tasking Officers (NITOs) for the Soviet Union

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and Eastern Europe; for the People's Republic of China and the Far East; for Western Europe, Africa, Latin America and the Near East; and for Intelligence and Warning and Crisis Management. Supported by associates with regional expertise and collection specialists these NITOs are beginning to develop collection strategies on NITs. The NITO teams are also responsible for developing ad hoc collection strategies to cover crises or significant shifting situations and trends. []

Additionally, a Tasking Architecture Office (TAO) has been established to address future collection needs from the dual perspectives of information needs and collection systems design. As a step toward developing a means for systematic interdisciplinary evaluation of collection tasking performance, TAO will first develop measures of system utility in terms of customer product satisfaction. []

The Deputy for Collection Tasking has also assumed responsibility for the three Community collection committees, using their existing mechanisms to manage requirements and to address and resolve issues arising within the PHOTINT, SIGINT and HUMINT collection disciplines. []

The DDCI

Ambassador Frank Carlucci was nominated as DDCI by the President, in December 1977 and confirmed by the Senate and sworn in last February. Building on broad experience in the Foreign Service the Department of

[REDACTED]

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Health, Education and Welfare, the Office of Management and Budget and the Office of Economic Opportunity, he has contributed importantly on a wide range of issues and concerns. As my statutory Deputy, he fills in for me in all capacities whenever I so designate, and in this connection understudies my concerns and responsibilities on a continuing basis. As Vice Chairman of the National Foreign Intelligence Board (NFIB), he participates fully in Intelligence Community business.

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Much of his day-to-day effort goes into management of the Central Intelligence Agency. His effectiveness here permits me to devote more time to my full range of duties as DCI. He has given special attention as well to several important projects during this year. The most significant of these has been an evaluation of the CIA Personnel Management system leading to recommendations for a more equitable, uniform and personalized personnel policy. The goal of this project is to develop officers and managers with a broad enough range experience to relate their own specialized activity to Agency-wide concerns and community-wide missions, and to apply their talents and experience to new disciplines. [REDACTED]

25X1 Frank Carlucci has also taken a personal interest in intelligence charter legislation, the reexamination of CIA security concepts and programs, and planning for a future CIA structure relevant to changing and broadening demands. [REDACTED]

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